

Quo Vadis, Market Economy? Challenges of Sustainability and Values, Possible Answers

György Kocziszky
University of Miskolc
regkagy@uni-miskolc.hu

SUMMARY

Over the past half century, mainstream economics, the theoretical basis for the functioning of market economies, has contemplated value-neutral models paradoxically disconnected from reality. The forced abstraction of these models, as well as the fact that economic policies have been dominated by deregulation and liberalization resulted in a situation where markets have not been able to handle crises properly, and they themselves have become the causes of them. In this study, the author claims that there is a solution: a sustainable market economy, based on the reintegration of value orientation into market processes. In other words, a paradigm shift is needed with sustainability in its focus. But sustainability is just a buzzword, as long as we fail to realize the fact that we have limited room for manoeuvre in society and economy, and we cannot do everything we would otherwise have the opportunity to do. Knowing this, we can state it with certainty that only those nations will be successful in the 21st century that find the path to a sustainable market economy and are able to follow it. The model outlined by the author suggests directions for implementing this idea.

KEY WORDS: sustainable market economy, values, normative economics, new economics

JEL CODES: H11, Q01, Q02, Q56, Q58.

DOI: https://doi.org/10.35551/PFQ_2023_1_1

The original manuscript was submitted in Hungarian.

A REVIEW OF ECONOMIC HISTORY

Economic order is a product of history, and its forms have changed in space and time. These changes have been linked to industrial revolutions, historical, social, economic and value related cataclysms, and wars. This process cannot be analysed in detail here due to limitations of scope; therefore, it is enough to briefly mention that the economic history of the 20th century keeps account of four forms of market economy in the practices of developed countries (*Table 1*).

The 20th century inherited a market economy relying on classical and neoclassical economics, based on self-regulation. However, it is worth pointing out that Adam Smith, as a moral philosopher, paid special attention to the ethical context of the economy (Smith, 1759), an aspect his successors constantly pushed aside and replaced it with the paradigm of the invisible hand and the rationally thinking man.

Changes were brought about by the world economic crisis in 1929–1933. Keynes realized that self-regulating markets were inadequate to handle financial shocks and the ensuing disruptions could hardly be addressed without state intervention. Overlapping with this, social market economy (the third way) – which was born within the framework of the Freiburg school and gained ground in the western part of Germany after the Second World War – paid more attention to meeting the social needs of society.

The basic idea of social market economy was born in Germany in the 1930s, when the members of the so-called Freiburg Circle and their followers (Müller Armack, Brief Goetz, Wilhelm Röpke, Adolf Lampe, Franz Böhm, Ludwig Erhard, Walter Eucken, Constantin von Dietre, Erwin von Becktrath and others) sought answers to the questions of what to do to preserve the operability and social sensitivity

of modern industrial societies, and how to turn the chaos evolving after the Second World War into order. The answer came from a policy regulating the external and internal order of economy (the so-called “Ordnungspolitik”).

It was in the spirit of this line of thought that after the Second World War, in difference from the capitalist and the centrally planned (socialist) economic governance model of that time, the so-called third way model and, as the operationalization thereof, the clear message of “well-being for all”, the paradigm system of social market economy evolved (Erhard, 1957; 1962).

It comes from the definition of socialist market economy that, without giving up faith in the creative power of the market, some social messages – such as stable exchange rate, control of the operation of monopolies, security of private property, and responsibility – emerged, that exerted a positive and mobilizing effect on the population living in the western part of Germany, who suffered both the moral and financial consequences of the lost war (Böhm, 1960; Erhard, 1957).

The “new” value system opposing the ideology of the “total state” contributed in no small way to the rapid recovery and subsequent upturn of the economy (Muresan, 2014). The post-war economic miracle (1948–1973) was characterized by a rapid recovery of output, an improvement in employment and income conditions, the stabilization of the currency and low inflation, which was primarily attributable to the economic policy measures introduced in June 1948 and the currency reform (the introduction of the DM).

The achievements of the social market economy in the 1950s and in the first half of the 1960s brought unprecedented prosperity to the citizens of the FRG (economic miracle).

From the second half of the 1960s, however, the German economy came to a standstill, due to internal (value related) and external effects

Table 1

CHARACTERISTICS OF THE VARIOUS FORMS OF MARKET ECONOMY

	Classical market economy (1789–1933)	Market economy with limited state intervention (1933–1970)	Social market economy (1949–)	Neoliberal market economy (1970 –)
Market	<ul style="list-style-type: none"> self-regulating system based on private property 	<ul style="list-style-type: none"> regulation based on exceptions 	<ul style="list-style-type: none"> market competition regulated price system 	<ul style="list-style-type: none"> open global markets contractual freedom market competition liberalization, deregulation
State	<ul style="list-style-type: none"> minimum role of state 	<ul style="list-style-type: none"> crisis management by state 	<ul style="list-style-type: none"> competition regulated by state 	<ul style="list-style-type: none"> anti-monopoly and anti-cartel action the state is a bad owner
Value system	<ul style="list-style-type: none"> individual responsibility utilitarianism 	<ul style="list-style-type: none"> individual responsibility 	<ul style="list-style-type: none"> social partnership individual responsibility 	<ul style="list-style-type: none"> money orientation succeeding individually profit is for the individual, social responsibility healthcare, education and culture must be made part of the market profit is the only target function for capital
Theoretical background	Classical economics: <ul style="list-style-type: none"> Smith, A. (1776) Ricardo, D. (1817) Mill, J. (1848) Neoclassical economics: <ul style="list-style-type: none"> Marshall, A. (1890) Fischer, I. (1930) 	Keynesian/Neo-Keynesian economics: <ul style="list-style-type: none"> Keynes, M. (1936) Hicks, J. (1937) Modigliani, F. (1944) Samuelson, P. (1948) Kaldor, M. (1960) Tobin, J. (1971) 	<ul style="list-style-type: none"> Röpke, W. (1944/1979) Erhard, L. (1957) Eucken, W. (1960) Böhm, F. (1960) 	Monetary economics: <ul style="list-style-type: none"> Friedman, M. (1996) Hayek, F.A. (1976)

Source: own editing

that weakened the stabilization process of the world economy. Neoliberal elements gained strength and social elements were increasingly given secondary importance in German economic policies.

Starting from the 1950s, social market economy appeared in the economic policies of several Western European states (Austria, France, Sweden), but it did not have any

particular impact on Anglo-Saxon countries. The United Kingdom invariably followed the liberal principles of “Anglo-Saxon capitalism”.

The last quarter of the 20th century brought a turning point, when neoliberal thinking forged ahead not only in economic policy, but also in culture, education, and social policies. Consequently, the value elements that the “fathers” of social market economy considered

important began to erode, and the concept slowly became empty of meaning.

The early 1960s brought another turning point: an outstanding theoretician of the neoliberal market economy, *Hayek* (1976) again emphasized the importance of self-regulation by market mechanisms. In his opinion, the pursuit of social justice is not only futile (because it does not exist), but also harmful. In contrast, the market protects individual freedom, which brings economic benefits.

The market economic order based on Keynesian economics was shaken in the late 1960s.

Due to the fiscal situation caused by the Vietnam War, the USA unilaterally terminated the Bretton Woods Agreement, which destabilized the world economy. The situation was made even worse by oil exporting countries unexpectedly increasing the price of oil per barrel several times. A new type of crisis emerged (the great stagflation), for which Milton Friedman and his followers thought to find the right solution in dismantling the mixed market economy.

During the period of Ronald Reagan and Margaret Thatcher, the Keynesian school of thought was replaced by the neoliberal market economy, which was based on monetarist economics. The biggest deregulation mistakes occurred in the financial and resource markets.

After the geopolitical changes in 1989, in the countries of the so-called Eastern Bloc of Europe, the need to build a social market economy was formulated as an economic and socio-political goal. However, the conditions and the path leading to it were sometimes good and sometimes bad, partly because these countries received a capitalist model from Western Europe that differed in several respects from the market economy as well as the social value systems and practices formulated at the end of the 1940s. The average citizen had no

or only superficial knowledge of the Christian values forming the basis of social market economy, and none of the economic policy makers, who were divided into opposing camps, had any interest in explaining it in detail.

After the financial crisis of 2008, with the community's internal problems intensifying, politicians of the European Union regularly returned to the idea of strengthening social market economy, but, as proven in practice, with little success (Merz, 2021).

As a common feature of the market economy trends summarized above briefly (due to limited scope), none of them stood the test of practice, with "sand thrown in the gears", causing undesirable disruptions. This had many negative consequences, such as:

1 None of them could keep economies on an equilibrium path, because price alone proved to be insufficient to achieve this. Financial and economic crises have occurred, and are occurring, permanently (e.g., during the Gulf War, the Mexican crisis, the Asian crisis, the Russian crisis, the Lehman bankruptcy, Covid-19, and the Russian-Ukrainian war). The orthodox tool-kit of monetary economics also proved to be unsuitable for this.

As a result of monetary tightening, the burden of debt financing increased. The rising interest rate environment made repriced debt elements more expensive and, in the case of sovereigns with a high budget deficit, new issuances raised the interest burden, and the slowdown in economic growth also adversely affected the ability of economic actors to repay debts.

Real economy also suffers from the effects of the crisis, because supply networks tend to pass on shocks (usually at a distance of four steps). The banking system is involved in this chain of contagion through corporate loans. The banks in trouble then transmit the effects

of shock towards loan applicants, closing the loop in all cases.

2 The neoliberal market economy is insensitive to social and especially, demographic problems, a fact that has led to the ageing of societies in developed countries (particularly in Europe). In the past two decades, the situation has been made worse, especially in North America and Europe, by various ideologies (e.g., woke; so-called “parasite”, Saad, 2021).

3 The theoreticians of liberal and neoliberal market economy caused serious damage by eliminating humanist values – such as family, justice, solidarity, and common good – from their thinking, and taking a stand in favour of the self-fulfilling, individual profit-seeking homo economicus. This is supported by the fact that, though the basic idea of the so-called Freiburg Memoir (1942/43) – edited under Dietrich Bonhoeffer’s leadership – was based on Lutheran and Roman Catholic social ethical principles, i.e. the so-called Christian-social values (Kluge, 1988), postmodernity – which strengthened from the 1970s – diluted that value system, sometimes beyond recognition, and degraded it into an empty shell. This individualisation process can be observed especially in German practice.

4 Growth in economic output is still based on using large externalities. Today, the chain of linear economy (extraction-processing-consumption-waste) created in this way not only endangers the production and consumption systems, but also creates an unmanageable amount of waste. Meanwhile, real economy is still characterised by high energy intensity and high environmental burdens and will remain as such due to today’s energy crisis and the steps taken to address it (e.g., the restart of coal-fired power plants, etc.) (MNB, 2022b).

The climate crisis is causing a problem similar to the energy crisis, as a result of

which it is becoming more and more difficult to supply the population with healthy, non-genetically modified food, which requires less fossil energy than at present.

5 The financial crisis of 2008 caused confusion and surprise among proponents of mainstream economics. Its practitioners could not prevent the crisis, nor could they propose a cure by their traditional (orthodox) means. It is because neoclassical economics is based on a few unquestionable principles, which dominate literature, public debates, and the decisions of those in charge. However, its seemingly sophisticated mathematical background masks the shortcomings of the initial model.

6 The root cause of the increasingly frequent crises is attributable not least to moral reasons (corruption, fraud, evasion of laws, etc.). It is not high income, or wealth, or gaining wealth, or taking risks that raise ethical questions, but the dishonest forms thereof, which mislead others. Financial intermediaries with an unlimited profit motive intensify unrestrained speculation arising from a desire for profit, greedy desire for money, and the temptation to make money easily (Bauer, 2008; Mishkin, 2006; Sachs, 2016).

Following major real economic and financial crises, both economic theorists and historians, and economic policy makers tend to raise the need to rethink the context of the prevailing economic order (e.g. Jacobs, Mazzucato, 2016; Mander, Goldsmith, 2001; Merz, 2021). It is therefore not surprising that after the 2008 financial crisis, the need for this move was put on the agenda again, which – we can state with certainty – is perhaps the biggest economic policy challenge of the 21st century.

It seems that the relatively calm state of the world economy is over. More and more people believe that now – after the financial crisis of 2008, the global pandemic that started in 2019, and the Russian-Ukrainian war that broke out in 2022 – a new market economic

order is needed. It is a valid question: What direction should the change take? A patch-up of the existing system, or a transformation based on revised values, i.e. evolution vs. revolution? Are the upheavals of the last decade sufficient to create a new paradigm, or once the crisis subsides, will everything continue as before until the next global upheaval?

The author is convinced that our understanding of the market economy must be placed on a new foundation. A series of steps towards a sustainable market economy may help us solve the problems we are faced with.

THE CREDO AND STRUCTURE OF A SUSTAINABLE MARKET ECONOMY

Over the past 50 years, the concept of sustainability has emerged in various contexts and received new (or seemingly new) interpretations. Despite the positive effects of widespread application, there is a danger that the concept may be inflated (as seen in many similar cases). Sustainability means a trend prevailing in the longer term, or a state or behaviour according to a designated path. By definition, leaving the path for long will entail unsustainability.

In the 1960s, concerns about the living environment surrounding us, as well as the movements and publications aimed at expressing them helped raise awareness of the concept. However, it was the Brundtland Report (1987) that made it widely known, and later – owing to various domestic decisions (e.g., Resolution 18/2013 (III. 28.) of the Parliament on the National Framework Strategy on Sustainable Development); relevant recommendations of the EU and the UN; as well as literature published on the subject to fill a library – it became a popular concept used by many people (e.g. sustainable

agriculture, food sector, community, region, etc.). Therefore, the idea that the concept of sustainability cannot be narrowed down to a single field (e.g. ecology) is indicated by numerous documents (e.g. the Fundamental Law of Hungary).

The Rio+20 summit (2012), whose theme was green economy and the development of the institutional system, brought significant progress. The outcome of the final document titled *The Future We Want* was a convention on the definition of global sustainable development goals.

As a result of several years of preparation, a new sustainable development framework (the 2030 Agenda for Sustainable Development) was adopted at the 70th General Assembly of the United Nations (on 25 September 2015). The Sustainable Development Goals (SDG) include 17 Goals and 169 targets. For monitoring the system, the document recommends a set of indicators, defining altogether 232 global indicators.

In Hungary, the *National Framework Strategy on Sustainable Development* interprets the concept of sustainability holistically.

According to this interpretation, sustainable development is primarily a long-term resource management process. In the spirit of this, it distinguishes four categories of resources (human, social, natural and economic). The follow-up of implementation and the monitoring of processes are supported by a progress report published every two years.

A sustainable system is resilient, able to maintain a near-equilibrium state in the long term, and when dislodged by an internal or external effect, it has the ability to flexibly return to its state within a short period of time.

Economics is a normative science, it undertakes to answer the question of what the “world” should be like. Based on this, it is worth rethinking social, environmental, economic and institutional issues.

The model outlined below essentially differs from the three-pillar structure (economy, ecology, social) described in literature in terms of putting the value system in the focus and incorporating the sustainable institutional system (fourth pillar) (Figure 1).

The term sustainable market economy is an integrative concept in the sense that all elements are interrelated with each other, and, at the same time, the whole is the sum of its parts (just as vector algebra). Its interpretation, study and analysis require a systemic, holistic approach. Sustainability cannot be narrowed down to environmental pressures and green solutions.

The time horizon of sustainability is not limited, as it refers to the long term, per definition. Every age group must act – produce, consume, and live within the framework of its given community, as well as manage its resources and create institutional frameworks to that end – in such a way that, in addition to

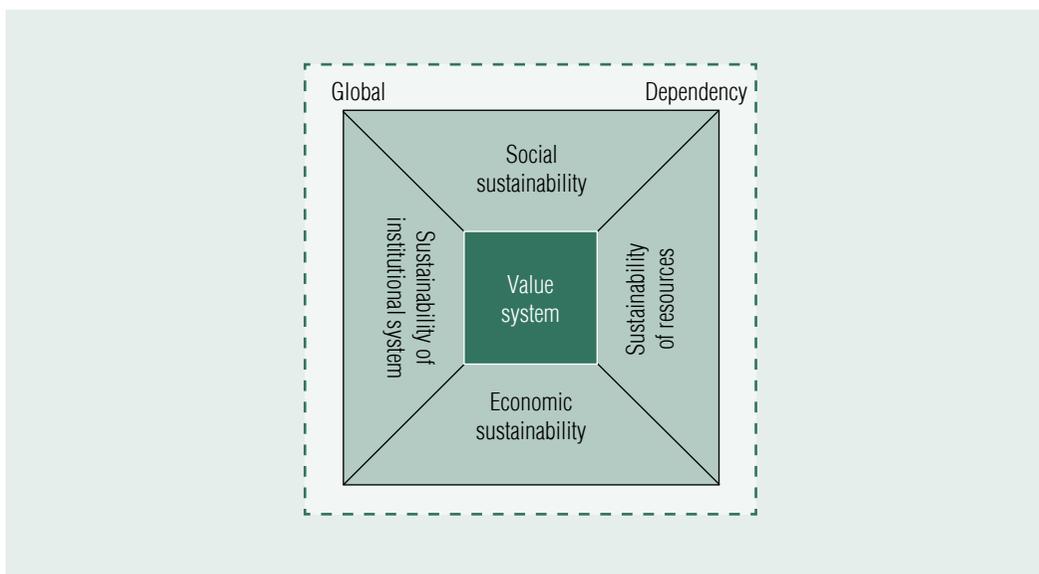
ensuring its own well-being, it also takes into account the conditions necessary for the lives of future generations.

Value system

The central element of a sustainable market economy is a value system, which is no coincidence as public perceptions of society and the economy have a fundamental impact on the functioning of markets. Historical, religious, cultural and ethical determinations play a significant role in the opinion of a given community about society, the economy, the institutional system, and the living and non-living environment. The resulting value system determines the criteria on the basis of which a community takes a stand on the sustainability or unsustainability of society, the economy and the surrounding environment. Emphasizing this is justified because the rigid models of

Figure 1

MODEL OF A SUSTAINABLE MARKET ECONOMY



Source: own editing

orthodox economics exclude the value system context, while we are living in an age of value disorder. Distorted aspirations have emerged and threaten the survival of the living and non-living environment.

The fundamentally important, cohesive force of societies is a value system that has become a generally accepted convention and has permanent, cross-generational and changing elements. The sustainability of a value system depends on the extent to which constant elements and variable elements generated by the global interest groups are present.

After the Second World War, the rise of liberalism slowly but surely allowed a value system over-emphasising self-fulfilment, self-expression and post-modernity to gain ground, a fact with many harmful consequences seen

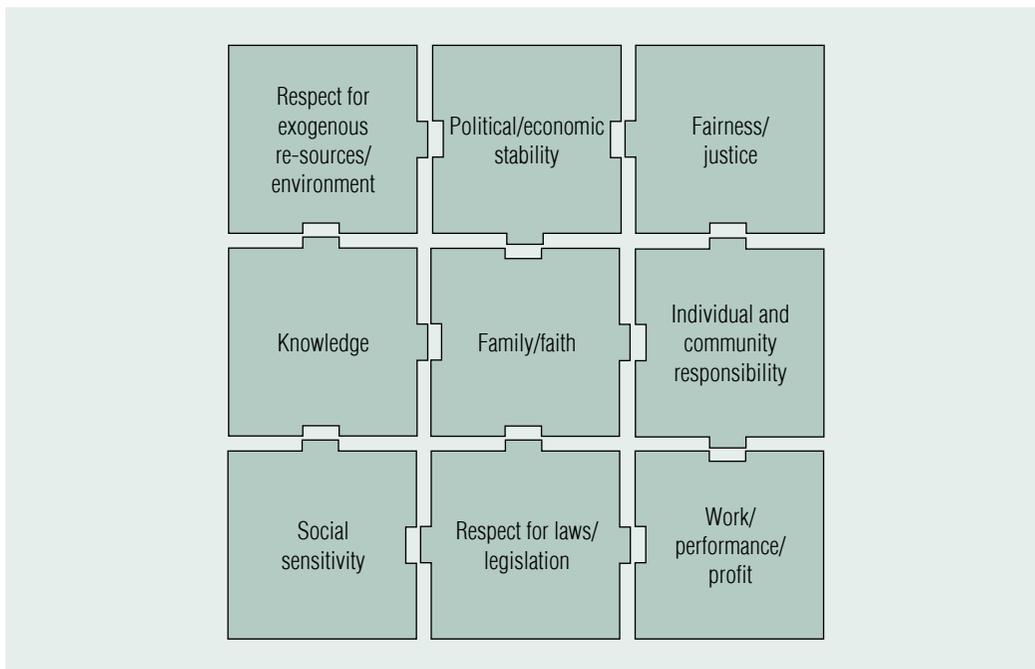
every day. Therefore, both individuals and communities need, perhaps more than ever, spiritual and moral support as well as stable handholds in the face of uncertainty, rather than nihilism. These include spirituality and family, which are closely related to justice and social sensitivity, knowledge, responsibility, subsidiarity, solidarity, respect for the environment and fairness. More and more people are referring to this, see e.g.:

The credo and value system of a sustainable market economy can be summarized in nine points (*Figure 2*).

FAMILY AND FAITH: The sustainability of society and the economy depends not least on faith and the stability of family. Spiritualism affects individual and community as well as collective needs and wants. How and with what means needs are met, and who, under

Figure 2

VALUE ELEMENTS OF A SUSTAINABLE MARKET ECONOMY



Source: own editing

what conditions can access them is therefore a question of values. Serving the community is the goal itself, and the market is the means for this.

Recently, searching for connections between faith and economy has become an important research topic in economics and economic history (Botos, 2009; Krenzhof, 2007; Sebestyén, 2019, Sárvári, 2019). Of course, approaches may differ in space, time and according to field (sociology, theology, economics, etc.), but authors share the common view that faith plays an important role in our understanding of work, performance, human well-being, observance of rules, and the relationship between economy and environment.

■ **SOCIAL SENSITIVITY:** The social element that appears in a value system depends on the extent to which society has succeeded in enforcing social norms in addition to economic ones, sometimes at the expense of the latter. The market by itself does not create social norms to the same extent as the functioning of the economy depends on the fulfilment of these norms. This is because economically defined social relations are governed by the basic principle of achieving a maximum return by using available means, or achieving specified return at a minimum expenditure. That is why society must develop and implement a social order that meets the needs of the community (and, above all, the objectives of social justice, social security and social peace). The more the value system is tuned to achieving economic and social goals simultaneously, the higher the economic and social needs which the social order can meet.

■ **SOLIDARITY, INDIVIDUAL AND SOCIAL RESPONSIBILITY:** Man is responsible for his actions, he must account for them. The essence of solidarity is about inclusion, respecting the interests of the given group, and helping others.

Solidarity is justified, on the one hand, by robust differences among people and various

social groups (e.g., the elderly, the poor), and, on the other hand, by mutual dependence. Solidarity is the voluntary limitation of self-interest.

Social solidarity means individual responsibility and state coordination. A rigid adherence to the “homo oeconomicus” behaviour (an integral part of economic thinking since the 18th century) contradicts the requirement of solidarity. The totality of individuals pursuing self-interest (within a given institutional framework) is not a guarantee for serving the overall social interest as claimed by classical thinkers.

■ **FAIRNESS:** The question of fairness and unfairness arises especially in relation to distribution and redistribution, as well as the functioning of markets and state regulation. Income and wealth inequality that is developed as a result of unfair distribution has increasingly come to the forefront of empirical economic studies in the last three decades (one of the reasons for this is the growing difference in the wealth and income of households).

Inequality leads to political and economic instability in the longer term. Therefore, in connection with distribution and redistribution mechanisms, a fair tax system and fair taxpayer behaviour are of particular importance. (It is no coincidence that this question has an extensive literature.)

■ **JUSTICE:** According to *Rawls* (1997), justice is a fundamental requirement for the sustainability of society. The legal role of justice is to provide correct answers to social questions, and its social role is to ensure that everyone gets what they deserve.

Justice is therefore basically an ethical issue in the context of which we answer the questions of what obligations we have towards others, and what rights others have towards us, with particular regard to whether the given goods can be distributed in accordance with society's expectations. This is based on the right to use

goods, the precondition of which is a minimum income that is due to all members of society (regardless of the intention of the person in need), and is beneficial and reasonable to all members of society. Justice means the reduction of social differences, equal rights, equal treatment, and freedom that everyone is entitled to on a universal basis. Neither corrective nor distributive justice can be ensured or restored by the market by itself. This is a task to be solved by the constitutional state.

■ **KNOWLEDGE:** In the value systems of the last 200 years, knowledge “for the purpose of good” has always played an important role and it is the basis of human existence and a characteristic that defines homo sapiens. Its importance must be emphasized also because knowledge not only serves the interests of the community, but, in countless cases, it is also contrary to it. Knowledge and information are the capital of the 21st century.

■ **RESPECT FOR THE ENVIRONMENT:** Man is neither the ruler nor the owner of nature that surrounds him. Respect for the environment means the conscious use of this “narrow path”, the environment.

The development of modern industrial society brought with it the need for constant economic growth, which means an ever-increasing burden on the environment surrounding us, and which, in turn, has started irreversible processes. The systems evolving in this way are unsustainable and harmful.

■ **WORK, PERFORMANCE:** A sustainable market economy is unimaginable without work and performance. The judgement of attitude to work is an important element of the value system.

Attitude to work also has a special place in the teachings of historical Christian churches (see e.g., Balikó, 2013). There are many references to this in the Old and New Testaments alike, e.g., “Slothfulness casteth into a deep sleep; and an idle soul shall suffer hunger.” (Proverbs 19,15).

„Go to the ant, thou sluggard; consider her ways, and be wise” (Proverbs 6,6).

“Modern-day economists have nothing to say about whether work is pleasant or unpleasant. They believe that the burden of work increases (or its pleasantness decreases) in parallel with the amount of work performed. Some of the work is done by workers only for the sake of earning an income, and they stop doing it at the point where the inconvenience resulting from the additional work is greater than the attraction of the income that can be obtained through it. Marginal benefit theory therefore seems to accept Marx’s generalization and pessimism. However, this conclusion of economists cannot be derived either from economic data or economic theory, and even less can it be based on a psychological approach.” (Scitovszky, 1990. p. 83.).

Pillars of a sustainable market economy

The four pillars of a sustainable market economy (sustainable society, institutional system, economy and resource management) have a close causal relationship with each other.

Sustainable society

A sustainable society is based on participation and autonomy, and it emphasizes community in addition to social security.

“A sustainable society is built into a system from individuals enjoying full rights, as well as their communities. The realization of an individual’s interests through a community will collide, or identify with, the interests of other individuals or communities, and the balance of different interests will be created by reciprocity. In this structure, the revival of mutual generosity and community feeling is not a will coming from above, but a possibility for the individual to extend its existence, i.e. the community’s own will. In contrast to the monolithic power structure handing out binding orders to everyone – which

Table 2

ELEMENTS OF A SUSTAINABLE SOCIETY

Elements	Interpretation	Indicators
Sustainable demography	The given population is in line with nature's carrying capacity.	<ul style="list-style-type: none"> • life expectancy at birth • total fertility rate • ageing index
Sustainable financial and social security	Community welfare	<ul style="list-style-type: none"> • poverty rate • proportion of people living in households with no employed persons • rate of early school leavers • average life expectancy at age 65 • rate of change in income after age 65
Sustainable social trust and activity	Cohesion within society	<ul style="list-style-type: none"> • gender pay equality • wage equality between regions • indebtedness of the population • life satisfaction of genders and age groups • a sense of security
Responsible consumption	Responsible use of goods, services and natural resources	<ul style="list-style-type: none"> • the proportion of unprocessed communal waste • rate of food waste • food loss • food waste

Source: own editing

has led to poor reciprocity and the development of individual and group interests –, in the structure of a sustainable society, reciprocity becomes the organizing force of the community, where local communities manage their own affairs in a self-management system. Decisions are transferred to the direct impact surface of decisions, reducing central responsibility and the possibility of error resulting from schematization” (Gyulai, 2005. p. 6).

The elements of a sustainable society are summarized in *Table 2*.

The founding fathers of social market economy already drew attention to an increase in overconsumption mentality (Erhard, 1957). Looking at the practices of recent decades, it seems that they did so with little effect. As a result, the so-called consumer societies evolved

in developed countries. Self-stimulating consumption is dangerous and increases the environmental footprint, depleting natural resources.

Sustainable institutional system

The institutional system is a broad concept; it includes the existing legal order, the distribution and operational frameworks of the functions operating the system, the decision points and information network affecting society, the conditions and legal frameworks for the operation of public and private property, the operationalization of which depends on the value system and politics. Daily life has always been regulated by the spiritual, political and economic institutional system, which changes in space and time.

The tasks of a sustainable institutional system are, on the one hand, to create balance and predictability between the market and the public sector, as well as to represent the public interest, i.e. neither the market nor public interest can be strengthened at the expense of the other. On the other hand, the task is to determine the value system and the conditions of distribution and redistribution.

The sustainability of the institutional system is closely related to the assessment of the relationship between the state and the market. This (as confirmed by numerous sources) developed in a peculiar way after the Second World War. The “pull it, let it go” principle prevailed: market liberalization that started in the early 1970s and the economic policy promoting its economic benefits apparently came to a halt after the 2008 crisis.

The theory of all-encompassing efficient markets is weak. This is evidenced, among others, by major financial crises, when assets and risks are systematically mispriced.

It is a historical fact that markets are capable of self-correction only within narrow limits, as

proven by a series of crises. Those who promote self-correction will, in such critical situations, demand immediate state intervention (budget transfers), and then forget about this in the subsequent period and lull themselves into a sense of security. On the other hand, with state intervention, they can lay the foundations of new economic sectors and contribute to the creation of social security (*Table 3*).

Sustainable economy

The operation of real and financial (budgetary and monetary) processes is not the goal, but the means. This is worth emphasizing because there is good and bad economic growth. It means that there is a growth of output that is in line with society’s needs and available resources, and there is one that works against it. Some activities satisfy real needs, while others are aimed at creating unjustified needs generated by producers and service providers. Excessive demand encourages the acquisition of unnecessary goods, which generates additional unnecessary demand (e.g., the increase in alcohol consumption and

Table 3

ELEMENTS OF A SUSTAINABLE INSTITUTIONAL SYSTEM

Elements	Interpretation	Indicators
Law, legal stability	Predictability and stability of laws and legal norms	<ul style="list-style-type: none"> the number of illegal cases the number of amendments to laws and regulations (legal stability index)
Sustainable public administration	Keeping the consensual value system and security of society at the level of public agreement	<ul style="list-style-type: none"> the proportion of environmental tax the proportion of environmental spending environmental performance indicator (EPI) the integrity of public administration organizations
Sustainable public service	The totality of resilient services that are based on public agreement	<ul style="list-style-type: none"> the integrity of public service companies recycling rate of municipal waste the share of greenhouse gas emissions by public utility companies

Source: own editing

the treatment of alcoholism-related problems; the overconsumption of sweets and the need to treat a growing number of diabetics). The seven elements of a sustainable economy are summarized in *Table 4*.

Economic output is only sustainable if it is not accompanied with a permanent financial imbalance (according to *Matolcsy (2015)*, one of the biggest problems of the Hungarian

economy was the permanent financial imbalance between 1974 and 2014).

On the other hand, sustainable economic growth is green (carbon-free), i.e. the growth of output takes place with a decreasing and more efficient use of resources. Optimally, the trajectory of economic growth is separated from the trajectory of energy consumption and emissions. So the growth rate of economic

Table 4

ELEMENTS OF A SUSTAINABLE ECONOMY

Elements	Interpretation	Indicators
Sustainable economic growth	The long-term (5–8 year) proportion of the given national economy, its constant rate of output, which causes no damage to the natural environment	<ul style="list-style-type: none"> • activity rate • long-term unemployment rate • the growth rate of specific output at real value • green investment rate, green net exports, green consumption • labour productivity • inflation • public deficit • balance of payments deficit
Sustainable budget	Budget and public debt in accordance with the maastricht criteria	<ul style="list-style-type: none"> • budget deficit relative to GDP • the deficit of public debt relative to GDP • capital market rating
Green finance	A credit instrument that supports the solution of some environmental task	<ul style="list-style-type: none"> • proportion of green corporate loans • the portfolio of green capital market assets • the proportion of loans granted under the “green home” programme
Green bond	Meets the recommendation of the international market association	<ul style="list-style-type: none"> • proportion of green bonds • the rate of return on green bonds
Green public procurement	Preferring suppliers or products with green certification	<ul style="list-style-type: none"> • the proportion of suppliers with green certification
Green digitization	It application supporting usage of green energy	<ul style="list-style-type: none"> • the proportion of green IT
Green real economy	The totality of environmentally friendly technologies and production processes	<ul style="list-style-type: none"> • the proportion of areas under organic farming • the proportion of products/services with green certification • price stability

Source: own editing

output is greater than the ecological footprint and the usage of non-renewable natural resources. In case of an absolute separation (green growth), output grows, while ecological burden decreases.

Criticisms concerning the growth of economic output have intensified in recent years. Such criticism has been formulated, on the one hand, because of an unfair distribution (“the poor will be even poorer, the rich will be even richer”), and, on the other hand, because of the finite nature of resources, which does not allow for infinite growth.

A significant number of these criticisms recommend that, instead of growth (GDP), development should be measured, through which the quality of life (health, financial well-being, quality of public services, demographic processes, state of the environment) can be monitored together (EESC, 2009; Kocziszky & Szendi, 2021).

Sustainable resource management

Since the 1972 report published by the Club of Rome, the issues of the sustainability of resources and the balance between the economy and nature can hardly be avoided, because the carrying capacity of the environment surrounding us is of increasing importance.

Due to a constant increase in output, biological diversity is decreasing, soil erosion is increasing, and some natural resources are on the verge of depletion. Slowing down and then stopping this undesirable process is not easy, because, on the one hand, those having an interest in it have significant power, and, on the other hand, we do not yet have the required reliable knowledge for this.

Urgent changes are needed, since the decade ahead of us does not promise much good:

- climate change is likely to further increase resource scarcity;
- demand is likely to exceed readily available

supply (of strategic resources including energy, food and water);

- the lack of access to stable water resources is likely to reach critical levels;
- the global competition for diminishing resources may lead to confrontations between major powers.

Potential indicators for the elements of sustainable resource management are summarized in *Table 5*.

There is still no exact definition of what is actually considered green and what is not. The taxonomy regulation adopted by the EU in 2020 provides some help by formulating six environmental objectives, including:

- climate change mitigation;
- climate change adaptation;
- the sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and control;
- protection and restoration of biodiversity and ecosystems.

However, the Russian-Ukrainian war has already forced decision-makers to make changes. The use of nuclear energy and natural gas has also been classified as green. It is a significant step forward in waste management in Hungary that, under its Resolution 1704/2021 (X. 6), the government adopted Hungary’s National Waste Management Plan 2021-2027, which defines, among others, the waste recycling target value for the period.

In the web of dependency relations

It can hardly be disputed that power hierarchies have played a decisive role in shaping the economic order in the past centuries. It would be naive to think that power hierarchies have no effect in the 21st century. On the contrary, the forces driving globalization exert a demonstrable and latent effect on the

Table 5

ELEMENTS OF GREEN RESOURCE MANAGEMENT

Elements	Definition	Indicators
Sustainable natural environment	ensuring diversity of species and quality of landscape	<ul style="list-style-type: none"> ecological balance (usage of natural resources available in the territory of the country) proportion of recycled greenhouse gases proportion of recycled waste proportion of protected areas ecological footprint environmental sustainability index proportion of areas under organic farming
Green development policy	conscious efforts aimed at the development of products, services and technologies with low carbon- and low material-requirements	<ul style="list-style-type: none"> efficiency of R&D spending of government (number of patents related to environmental technologies compared to green economy-related R&D spending of the state) efficiency of green R&D spending of the private sector raw material intensity proportion of renewable technologies
Renewable energy	the group of energy carriers that are replenished on a human time scale	<ul style="list-style-type: none"> share of green energy in total energy consumption proportion of energy-efficient real properties proportion of renewable energy green energy intensity

Source: own editing

sustainability of countries’ social, political and economic processes and institutional systems. History has not ended, as Fukuyama wrongly envisioned it (Fukuyama, 2014). On the contrary, centres of power (knowledge, information and capital), value systems, and interests constantly clash with each other. Peace, as many geopolitical analysts point out, is far away.

A sustainable market economy is not independent of the enforceability of the social and economic interests of a given nation, and of the effects that influence opposing interests. As a result of the latter, sometimes stronger and sometimes weaker dependency relationships and networks are created, leading to the emergence of narrow “elites” and “the rest”.

The dependency theory, which appeared originally in relation to the so-called post-colonial and Latin American countries in the 1960s, has received a new interpretation nowadays (leaving the neo-Marxist approach behind). The “double dependence” (Böröcz, 1993), i.e. geopolitical (imperial) and economic dependence, in the case of small open countries like Hungary, is still a serious factor influencing the scope of action for sustainability. (Hungary’s export ratio is permanently above 80%, and the country can achieve it only at a high import ratio. This fact significantly contributes to the vulnerability of our economy.)

Sovereignty is therefore vulnerable as a result of strong or weak dependencies.

However, it would be a mistake to think that this is mutual, with a win-win result.

Not only economic actors (individuals and groups), but also nations are at a risk of dependence on each other, which is a consequence of economic, political and military dominance.

The enforcement of imperial dominance is not new to weaker organizations (states, economic organizations), but its forms of appearance have changed, and are still changing today. One could list 20th century examples at length that can prove intervention in the individual countries' market economy (institutional system, value system, economic and social conditions). In connection with the dominance of power, it is worth reflecting on a letter written by *Tibor Eckhardt* on 1 July 1943, while living in exile (to the leaders of the Smallholders' Party from Washington): *"We are an infinitely small dot in the big wide world. A village of black people on the African Gold Coast, an uninhabited sand strip in the Persian Gulf, a jungle with malaria in the Solomon Islands are more important territories in the eyes of the great powers than the whole of Hungary"*. (quoted in: Nemeskürty, 1995. p. 271.)

There is nothing new about enforcing political and economic dominance.

Sustainability is not independent of the given community's position in global knowledge-, value- and technological chains, in the division of labour, and its historically inherited external economic and political relations, its role in networks (*Figure 3*).

The status quo, of course, changes from time to time. Changing it and rearranging the relations of dependence is the basic interest of any new force entering the global economic scene. In order to achieve their goals, they do not shy away from using unethical (e.g.,

military, corruption, ideological, etc.) means and illegal connections (e.g., the mafia).

Economic and political dependence is the result of a complex chain of impacts, influenced by financial markets (e.g., dominant central banks, large capital funds, speculators, etc.), export and import dependence, and belonging to an economic (e.g., EU) or military (e.g., NATO) bloc. The impact of this can be seen in the institutional system and the decisions it makes, in access to resources (or in what we consider green resources; see e.g., the EU's position on nuclear energy and natural gas), in economic and society-related decisions, and in the restrictions on them.

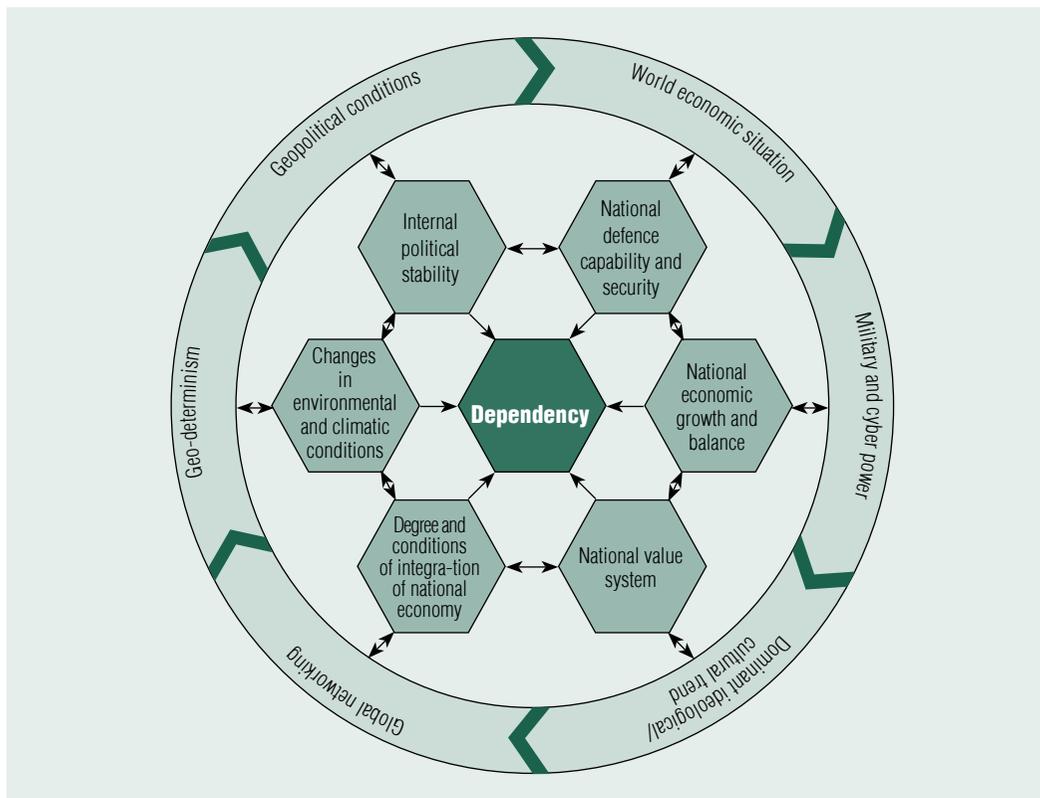
SOME CONCLUSIONS

Market economy is a historical category whose contexts and framework change in space and time. In the last one hundred years, new economic systems have emerged in developed countries in response to shocks every 20–25 years. Looking back, we can state that none of these systems proved to be permanent and stable, or in other words, sustainable.

The 21st century is not a linear continuation of the events that took place at the end of the 20th century, just as the new century took a completely different direction after the end of the 19th century (just think of the two world wars and the world economic crisis that occurred between them). The past two decades of the 21st century have proven that we live in a much more uncertain and unpredictable world than before, because economic turbulences and infections are self-generating, and markets alone cannot, or can only belatedly and to a limited extent handle them. In such circumstances, practitioners of economics have a special responsibility as they must be prepared not only for normativity (describing what the world is like), but also for

Figure 3

FACTORS INFLUENCING THE DEPENDENCE OF NATIONAL ECONOMIES



Source: own editing

outlining what it should be like. Sustainability cannot be ensured through market mechanisms alone. There is need for a proactive role and monitoring function assumed by the state.

Paradoxically, economics – which has made value one of the focal points of its investigations since the neoclassicals – wants to be value neutral. As opposed to that, a sustainable market economy cannot do without a value system that is based on faith, family, fairness, justice, social sensitivity and work, which can serve as a firm support for the four pillars of sustainability (economic, ecological, institutional, resources).

Liberal market economy and globalization are not the basis for happiness and balanced

growth (as many have tried to make us believe). It has several advantages and disadvantages. As a result of it, smaller organizations/nations may be put under pressure from power centres whose target systems do not, or only virtually include sustainability.

There are more and more debates related to sustainability, some of which are contradictory. It is not easy to navigate among them, not least because, in addition to researchers, more and more pseudoscientific celebrities are speaking up, making it difficult to see clearly.

Scholars have no small responsibility in this case either. It is therefore worth considering what new paradigm and form of market

economy it is that enables us to prevent ecological, economic and social upheavals. The author is of the view that one of the possible directions is a sustainable market economy, the elements of which interact with each other. These elements form a complex network

that, according to the approach discussed in this study, has six nodes and 264 elements. The links between them vary in closeness, which also represents a risk to sustainability. Monitoring this is a priority for economic and social policies. ■

REFERENCES

- BALIKÓ, Z. (2013). *A munka 21. század eleji református teológiai reflexiója. [A Calvinist theological reflection of work from the early 21st century]*. PhD-disszertáció, Károli Gáspár Református Egyetem, Hittudományi Kar, Doktori Iskola, [PhD dissertation, Károli Gáspár University of the Reformed Church in Hungary, Faculty of Religious Studies, Doctoral School], Budapest
- BAUER, M. (2008). *Krisenbewältigung in der Finanzwirtschaft. Parallelen und Unterschiede der Bankenkrise in Japan (199–2006) und den USA (1980–1998)*. Japan Analysen Prognosen. Nr. 200. Düsseldorf/München. Online: https://www.djw.de/uploads/media/JAP_200_Banken_v1.pdf Accessed: 08 October 2017
- BÖHM, F. (1960). Über die Ordnung einer freien Gesellschaft, einer freien Wirtschaft und über die Wiedergutmachung. In: Mestmächker, E. J.: *Reden und Schriften*, Karlsruhe. pp. 112–141
- BÖRÖCZ, J. (1993). Kettős függőség és a külső kötések informálissá válása: a magyar eset. [Double dependency and external ties' becoming informal: the Hungarian case.] *Eszmélet* pp. 74–88
- ERHARD, L. (1957). *Wohlstand für Alle*. Econ Verlag, Berlin
- ERHARD, L. (1962). *Deutsche Wirtschaftspolitik. Der Weg der sozialen Marktwirtschaft*. Econ-Knapp Verlag, Frankfurt am Main
- EUCKEN, W. (1960). *Nationalökonomie – wozu?* J. C. B. Mohr, Düsseldorf
- FISCHER, I. (1930). *The Theory of Interest*. The Macmillan Company, New York
- FRIEDMAN, M. (1996). *Infláció, munkanélküliség, monetarizmus. Válogatott tanulmányok. [Inflation, unemployment, monetarism. Selected studies]*. Közgazdasági és Jogi Könyvkiadó [Economic and Legal Publishing House], Budapest
- FUKUYAMA, F. (2014). *A történelem vége és az utolsó ember. [The end of history and the last man]*. Európa Könyvkiadó [Európa Publishing House], Budapest
- GYULAI, I. (2005). *Kérdések és válaszok a fenntartható fejlődésről. [Questions and answers about sustainable development]*. Magánkiadás [Private publication], Miskolc
- HAYEK, F. A. (1976). *Individualism and Economic Order*. University of Chicago Press, Chicago
- HICKS, J. R. (1937, 1978). *Érték és tőke: A keynesi gazdaságtan válsága. [Value and Capital: The Crisis of Keynesian Economics]*. Közgazdasági és Jogi Könyvkiadó [Economic and Legal Publishing House], Budapest
- KALDOR, M. (1960). *Essays on economic stability and growth*. Free Press, London

- KALDOR, M. (1964). *Essays on Economic*. Duckworth, London
- KEYNES, M. (1936, 2017). *The General Theory of Employment, Interest and Money*. Wordsworth
- KLUGE, U. (1988). *Der „Freiburger Kreis“ 1938–1945. Personen, Strukturen und Ziele kirchlich-akademischen Widerstandsverhaltens gegen den Nationalsozialismus*. Freiburger Universitätsblätter, pp. 1–20
- KOCZISZKY, Gy. edit. (2019). *Etikus közgazdaságtan. [Ethical economics.] Magyar Nemzeti Bank kiadása [Published by Magyar Nemzeti Bank], Budapest*
- KOCZISZKY, Gy., SZENDI, D. (2021). Comparative Analysis of the Economic Development Paths of Hungarian Counties. *Public Finance Quarterly*, 66(Special Issue 2) pp. 7–20
- KRENZHOF, R. (2007). *Wirtschaft, Moral und christliche Lebenpraxis. Eine Herausforderung der postsäkularen Gesellschaft*. Brill Schöningh Verlag, Paderborn
- MARSHALL, A. (1890, 1997). *Principles of Economics*. Prometheus Books, New York
- MATOLCSY, Gy. (2015). *Egyensúly és növekedés [Balance and growth]*. Kairosz Kiadó [Kairosz Publishing House], Budapest
- MATOLCSY, Gy. (2022). The Appearance of Economic, Social, Financial and Environmental Sustainability Aspects in the Practices of the National Bank of Hungary *Public Finance Quarterly*, Nr. 3 pp. 319–337
- MERZ, F. (2021). *Új idők – új felelősség [New times – new responsibility]*. MCC Press, Budapest
- MILL, J. (1848, 2018). *Principles of Political Economy*. Forgotten Books, London
- MISHKIN, S. (2006). *The next great globalization. How disadvantaged nations can harness their financial systems to get rich*. Princeton University Press, Princeton/Oxford
- MODIGLIANI, F. (1944). Liquidity Preference and the Theory of Interest and Money. *Econometrica*, 12(1) pp. 45–88
- NEMESKÜRTY, I. (1995). *Búcsúpillantás [A farewell glance]*. Szabad Tér Kiadó [Szabad Tér Publishing House], Budapest
- RAWLS, J. B. (1997). *Az igazságosság elmélete [A theory of justice]*. Osiris Kiadó [Osiris Publishing House], Budapest
- RICARDO, D. (1817, 1954). *A politikai gazdaságtan és az adózás alapelvei [Principles of political economy and taxation]*. Akadémiai Kiadó [Academia Publishing House], Budapest
- RÖPKE, W. (1944/1979). *Civitas humana: Grundfragen der Gesellschafts- und Wirtschaftsreform*. Stuttgart
- SAAD, G. (2021). *A parazita elme – Hogyan pusztítják a fertőző eszmék a józan eszt? [The Parasitic Mind - How Contagious Ideas Destroy Sanity?]*. MCC Press Kft., Budapest
- SACHS, J. D. (2016). *A civilizáció ára. Az amerikai értékek és a visszatérés a prosperitáshoz. [The Price of Civilisation. American Values and Returning to Prosperity]*. Gondolat Kiadó [Gondolat Publishing House], Budapest
- SAMUELSON, P. (1948, 1976). *Közgazdaságtan [Economics]*. Közgazdasági és Jogi Könyvkiadó [Economic and Legal Publishing House], Budapest
- SÁRVÁRI, B. (2019). A kínai gazdaságpolitika értékrendi pillérei. [Pillars of the Value System in Chinese Economic Policy] In: Kocziszky Gy. (ed.)

- Étikus közgazdaságtan. [Ethical Economics].* Magyar Nemzeti Bank, Budapest. pp. 297–322
- SCITOVSKY, T. (1990). *Az örömtelen gazdaság. Gazdaságlélektani alapvetések. [The Joyless Economy. Foundations of Economic Psychology].* Közgazdasági és Jogi Könyvkiadó [Economic and Legal Publishing House], Budapest
- SEBESTYÉN, G. (2019). Gazdasági prosperitás és értékrend: van-e eltérés az alapvető gazdasági mutatók alakulásának dinamikájában az eltérő vallási kultúrával rendelkező országok között. [Economic prosperity and value system: is there a difference in the dynamics of basic economic indicators between countries with different religious cultures.] In: Kocziszky Gy. (ed.) *Étikus közgazdaságtan [Ethical economics].* Magyar Nemzeti Bank, Budapest. pp. 143–162
- SMITH, A. (1776, 2011). *Vizsgálódás a nemzetek jólétének természetéről és okairól. [An Inquiry into the Nature and Causes of the Prosperity of Nations].* Napvilág Kiadó [Napvilág Publishing House], Budapest
- SMITH, A. (1959). *A nemzetek gazdagsága. [The wealth of nations].* Akadémiai Kiadó [Academia Publishing House], Budapest
- TOBIN, J. (1971). *Essays in Economics.* MIT Press, Cambridge
- VIRÁG, B. (2019). *A jövő fenntartható közgazdaságtana. [Sustainable economics of the future].* Magyar Nemzeti Bank

ONLINE REFERENCES

Brundtland-jelentés (1987). Közös jövő. [Brundtland-report (1987). Common future.] www.fenntarthato.bocs.eu

EESC (2009). *Opinion of the European Economic and Social Committee (EESC): Beyond GDP – measures of sustainable development Official Journal of the European Union*, 04. 30. (2009/ C100/09)

MNB (2022a). Fenntartható egyensúly és felzárkózás. [Sustainable balance and catch-up.] Magyar Nemzeti Bank, Budapest

MNB (2022b) *Zöld pénzügyi jelentés [Green finance report].* Magyar Nemzeti Bank, Budapest